Ministry of
Finance

2014/15
Annual Service Plan Report

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Message from the Minister and Accountability Statement

By staying true to the principle that government should not spend more money than it receives from taxpayers, British Columbia maintained its reputation as a fiscal leader among the provinces for 2014-15 and for the second year in a row has a confirmed surplus. Exercising our vision to make life easier on families without breaking the bank has never been a simple task, but British Columbia continues to reap the rewards of a collective commitment to sound fiscal management. Maintaining a balanced budget provides room for modest investments that strengthen and encourage growth in key economic sectors, sustain core public services and make life a little easier for families and those in need.

Government is confident that B.C. will be a highly competitive, attractive jurisdiction for new investment in LNG. In the fiscal year, B.C. passed into law taxation framework for the LNG sector. The framework gives proponents the certainty they need to make investment decisions while ensuring a fair share of revenues for British Columbians.

With our AAA credit rating and our credit outlook upgraded to stable by Moody's, our low debt-to-GDP ratio, and commitment to low taxes, B.C. is keeping costs affordable for families while further cementing its reputation as a great place to do business.

This province's healthy and diverse economy, combined with the low cost of borrowing that an excellent credit rating provides, has enabled us to play an important leadership role in the international investment community. B.C. was the first foreign government to issue bonds in the Chinese offshore renminbi market and our second issue, a two-year bond in November 2014 that raised $559 million, further added to this province's reputation as a reliable investment partner. In November 2014, we welcomed Canada's designation as the renminbi trading hub for North America, all of which will make it easier for Canadian companies to do business in China.

On the national stage, we are working with Saskatchewan, Ontario, Prince Edward Island, New Brunswick, Yukon and Canada to establish a Cooperative Capital Markets Regulatory System that strengthens our economies, provides better protection and confidence to investors, and fosters more efficient and globally competitive capital markets in Canada.

The B.C. public sector employs approximately 388,000 people. About 313,000 are unionized employees working in the public service, at Crown corporations and agencies, and in the K- 12, post-secondary, health and community social services sectors. More than three-quarters of the public sector's unionized employees are now covered by long-term tentative or ratified agreements negotiated under the 2014 Economic Stability Mandate. The 2014 Mandate provides public sector employers with the ability to negotiate longer-term agreements within a fixed fiscal envelope, and offers employees an opportunity to participate in the Province's economic growth.

We continue to work with the broader public sector to enhance public sector governance and increase accountability to the citizens of British Columbia. The taxpayer accountability principles are an evolution of B.C.'s Corporate Governance Framework. These principles - cost-consciousness, accountability, appropriate compensation, service, respect and integrity - strengthen accountability, promote cost control and ensure provincial public sector organizations operate in the best interest of taxpayers. In July 2014, as part of the taxpayer accountability principles, government provided direction to public sector entities on standards of conduct, including post-employment restrictions.

Standardizing codes of conduct across the public sector was an important action in strengthening accountability and ensuring clear expectations in regard to individual and organizational conduct. Late in 2014, as part of our ongoing work to review Crown corporations and other designated organizations, we released reviews of the British Columbian Lottery Corporation and Partnerships BC. These organizational reviews ensure the organization and the services continue to represent value to taxpayers.

The Societies Act has been modernized and updated, allowing non-profits to operate more efficiently in this province, while simultaneously protecting the public interest whenever government funds the important work of charitable and other publicly-funded groups.

Finally, I wish to thank the incredibly professional and dedicated staff at the Ministry of Finance who are committed to serving British Columbians.

The *Ministry of Finance 2014/15 Annual Service Plan Report* compares the actual results to the expected results identified in the February 2014 *Ministry of Finance 2014/15 - 2016/17 Service Plan*. I am accountable for the results as reported.

Honourable Michael de Jong
Minister of Finance
July 13, 2015

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Purpose of the Ministry

The Ministry of Finance plays a key role in establishing, implementing and reviewing government's economic, fiscal, financial management and taxation policies.

More specifically, the Ministry is responsible for:

- Government's economic forecasting, fiscal planning, budgeting and reporting;
- Government's economic, fiscal and taxation policy;
- Tax and non-tax revenue administration, and loan administration and collection;
- Oversight of financial, procurement and administrative governance for the broader public service (ministries, crown agencies and the schools, universities, colleges and hospitals (SUCH) sector);
- Banking, accounting and risk and debt management services for government;
- Policy development for the gaming, financial, corporate and real estate sectors in British Columbia;
- Regulation of the gaming, financial services and real estate sectors, and administration of the B.C. credit union deposit insurance fund.

The Minister of Finance is also accountable for the B.C. Public Service Agency (see pages 31-36), Public Sector Employers' Council (see pages 37-39), British Columbia Securities Commission, British Columbia Lottery Corporation and Partnerships B.C.[1]

Ministry clients include the citizens of British Columbia, Treasury Board, Cabinet, ministries, Crown corporations, boards, commissions and agencies, businesses, investors and financial sector agencies.

For links to Ministry reports and the legislation administered by the Ministry, please see page 23.

Strategic Direction and Context

The Economy

British Columbia's real GDP increased by 2.6 per cent in 2014 (according to preliminary GDP by industry data from Statistics Canada), following growth of 1.9 per cent in 2013. Strong retail sales growth was partly driven by increased tourism and interprovincial migration, while continued low interest rates supported housing starts growth. Despite unbalanced external demand, B.C. exports and manufacturing shipments posted notable gains. Meanwhile, employment in B.C. increased modestly. Several risks to British Columbia's economy remain, including the potential for a slowdown in domestic and U.S. activity, ongoing fragility in Europe, and slower than anticipated Asian demand, particularly in China. Additional risks include a fluctuating Canadian dollar and weak inflation, in part due to lower oil prices.

[1] For more information refer to: www.bcpublicserviceagency.gov.bc.ca/ (B.C. Public Service Agency); www.fin.gov.bc.ca/psec/ (Public Sector Employers' Council); www.bcsc.bc.ca/ (B.C. Securities Commission); www.bclc.com (British Columbia Lottery Corporation) and; www.partnershipsbc.ca/index.php (Partnerships B.C.).

Fiscal Responsibility

Government has continued to meet key financial plan objectives by way of disciplined expenditure management, maintaining affordable public sector compensation through the *2014 Economic Stability Mandate*, and ongoing strategic debt management initiatives. As a result, government exceeded the budgeted surplus for 2014/15 and maintained key debt affordability targets.

Government Priorities

The government identified a strong economy and a secure tomorrow as major priorities over the next several years. In June 2013, each minister was given a formal "mandate letter" that identified both government-wide and ministry-specific initiatives they will deliver. The Ministry of Finance supported government by contributing to these priorities and initiatives by:

- Introducing and delivering on a balanced budget by focusing on prudent fiscal management of all government funds and rigorous expenditure management control.
- Protecting the province's credit rating by maintaining creditor, investor and consumer confidence in order to keep borrowing costs as low as possible, and attract investment and create jobs.
- Supporting a strong economy through a fair, effective and competitive tax, benefit and regulatory environment to increase confidence in government, attract and retain personal and business investment, and fund provincial programs and services for British Columbians.
- Supporting B.C. families through prudent fiscal management of all government funds in order to maintain low tax rates for individuals and families living and working in British Columbia and decrease the Province's debt load to lessen the burden for future generations.
- Supporting Government's commitment to implement consistent public sector compensation policy, standards of conduct and accountability principles across B.C. public sector organizations to ensure the best use of government resources. This includes conducting ministry operations in accordance with government's *Taxpayer Accountability Principles* (TAP) and effectively leading the implementation of the TAP – efficiency, accountability, appropriate compensation, service, respect, integrity – across the public sector.

Gaming

The increasing complexity and evolution of gaming poses new policy, regulatory and enforcement challenges, including casino-style games offered over the internet, gaming on mobile devices and event gaming. In response, the Ministry must anticipate and adapt to the evolving gaming sector to provide appropriate policy, oversight and regulation of the gaming sector – British Columbia Lottery Corporation (BCLC), charitable gaming, horse racing and the commercial gaming industry – to support responsible gambling and informed choice.

Report on Performance

Minister Mandate Letter Priorities and Initiatives

In June 2013, each Minister was given a formal mandate letter that identifies both government-wide and ministry-specific priorities and initiatives they will deliver. Since June 2013, the Ministry achieved or made significant progress on 11 of 14 deliverables, while work continues on the other three. Please see Appendix C for a progress report.

2014/15 Service Plan Performance Measures and Targets

The table on page 10 provides an overview of Ministry performance for 2014/15. It reflects performance related to the goals, objectives, performance measures and targets contained in the *2014/15 - 2016/17 Service Plan for the Ministry of Finance*.

In developing and reporting on performance measures and targets in the Annual Service Plan Report, the Ministry incorporates input and data from reliable independent and government sources. These data sources include Ministry financial and business information systems, major credit rating agencies, *Public Accounts*, and provincial statutes. Any information regarding the integrity of the data, such as criteria or limitations, will be included in the data source for each performance measure.

In setting performance targets, the Ministry considers past performance trends, government priorities, continuous improvement and the availability of resources. Setting meaningful performance measures and targets, and objectively measuring results allows the Ministry to introduce corrective actions as necessary to ensure that it achieves the goals set out in the Service Plan. Comparable information from prior years is provided for the purpose of historical comparison.

Ministry revenue is audited by the Office of the Auditor General as part of the Summary Financial Statements and reported in the annual *Public Accounts* of the Government of British Columbia. Debt collection data is monitored by the managers responsible and reviewed by the Ministry's Executive Financial Officer.

Performance Highlights

- Active management of the government's debt portfolio through balance sheet management strategies saved approximately $20 million in debt service costs during fiscal 2014/15. Aggregate savings are approximately $40 million over the last two fiscal years. Balance sheet management strategies lowered the province's borrowing requirements. Balance sheet management involves the review of existing cash balances across all government organizations to identify amounts not required for ongoing operations, enabling government to use the cash for debt management purposes until needed by the agencies.
- In June 2014, government announced the implementation of an enhanced corporate governance framework – Taxpayer Accountability Principles (TAP) – that strengthens accountability, promotes cost control and ensures all provincial public sector organizations operate in the best interest of taxpayers. The Ministry of Finance is responsible to lead the implementation of the TAP across the B.C. public sector.
- In January 2013, the Ministry introduced a new e-service called eTaxBC, providing businesses with online Provincial Sales Tax (PST) registration, tax return filing and payment,

and self-service account maintenance options. During 2014, this new online service was made available to other tax types, for example Carbon Tax, Insurance Premium Tax, Logging Tax, Motor Fuel Tax and Tobacco Tax. eTaxBC makes it easier and faster for businesses to manage their tax accounts, and reduces administrative costs and burden for government. In 2014/15, 52 per cent of all payments and 67 per cent of all returns were submitted using the new electronic options with eTaxBC.

- In 2014/15, the Province received $1.245 billion in gaming revenue to support education, health care, local governments and thousands of community organizations. Since 2001, the Province has provided over $1.9 billion in gaming grants to community organizations.
- The Ministry continues to improve the way we deliver quality services and programs under its Lean Six Sigma initiative, a proven process improvement methodology. In 2014/15, the Ministry completed three ministry-level Lean projects as well as 21 Lean Where You Work projects, improving the efficiency and effectiveness of business processes and customer service.
- Demonstrating a commitment to open government and transparency, as of March 31, 2015, the Ministry published 508 data sets on the DataBC website[2]. DataBC facilitates broad and open data sharing with the public and across government. The Ministry will continue to improve access to government information and data through publication of datasets to DataBC.

Implementation of the Taxpayer Accountability Principles

In accordance with direction provided on the implementation of the Taxpayer Accountability Principles, the Ministry has provided 2015/16 mandate letters from the Minister of Finance to British Columbia Securities Commission, British Columbia Lottery Corporation and Partnerships B.C. The Ministry has also started the collaborative development of strategic engagement plans to support increased two-way communication through regular meetings between appropriate senior ministry staff and their public sector entitities board members and staff in order to maintain effective working relationships, and to hold the entities accountable for the outcomes and measurements identified in their mandate letters and the entity's performance in respect of the Taxpayer Accountability Principles.

During 2014/15, Crown reviews were completed for BCLC and Partnerships B.C. Government and these organizations have accepted and are implementing the review recommendations, which will inform the joint development of evaluation plans. The plans will include specific efficiency and performance measures of the organization's health and performance in relation to the Taxpayer Accountability Principles.

As the Ministry responsible for the implementation of the Taxpayer Accountability Principles across B.C. public sector organizations, in February 2015 the Ministry and the Public Service Employee Compensation Secretariat provided information sessions on the TAP and the changes made to the executive compensation disclosure guidelines. These sessions supported a broad understanding of the TAP and provided an opportunity for organizations to ask questions. Further sessions will be provided in 2015/16.

[2] For more information refer to: http://www.data.gov.bc.ca/.

Performance Results Summary Table

Goal 1: Sound and transparent management of government	**2014/15 Target**	**2014/15 Actual**
1.1 Effective management of government's fiscal plan		
Provincial credit rating	triple-A	triple-A **ACHIEVED**
Budget deficit/surplus	$184M surplus	$1,683M surplus **ACHIEVED**
1.2 Accountable, efficient and transparent financial and program management across government		
Release date of the *Budget*	February 17, 2015	February 17, 2015 **ACHIEVED**
Completion date of the *Public Accounts*	On or before June 30, 2015	June 28, 2015 **ACHIEVED**
Audit opinion	Public Accounts in compliance with GAAP	Qualified but positive audit opinion from the Office of the Auditor General **SUBSTANTIVELY ACHIEVED**
Goal 2: A strong, competitive and vibrant economy	**2014/15 Target**	**2014/15 Actual**
2.1 A fair and competitive tax and regulatory environment		
Provincial ranking of corporate income tax rates	Remain in the lowest four	Second lowest **ACHIEVED**
Provincial ranking of personal income tax rates for the bottom tax bracket	Remain in the lowest two	Second lowest **ACHIEVED**
Provincial ranking of personal income tax rates for the second-from-bottom tax bracket	Remain in the lowest two	Lowest **ACHIEVED**
2.2 Responsive, effective and fair revenue, tax and benefit administration that funds provincial programs and services		
Per cent of amounts owed to government paid or collected	94.45%	95.47% **ACHIEVED**
Goal 3: Responsible regulation of gaming opportunities	**2014/15 Target**	**2014/15 Actual**
3.1 British Columbians continue to have confidence in the management of gaming		
Enhance access to funds in gaming facilities	Reseach and report on one new option	Expanded work to explore more comprehensive suite of options **SUBSTANTIVELY ACHIEVED**

Goals, Objectives, Strategies and Performance Results

Goal 1: Sound and transparent management of government finances

Confidence in British Columbia's economy is important for attracting investment and creating jobs, and is supported by a sound and sustainable fiscal environment. Responsible fiscal policies ensure that the government can maintain and enhance the delivery of key public services and that the costs of public services are not passed on to future generations. Public confidence is further enhanced by open accountability that demonstrates the appropriate management of government finances.

Objective 1.1: Effective management of government's fiscal plan

The government's ability to achieve a sustainable fiscal environment relies on the development and maintenance of a prudent and resilient fiscal plan. The Ministry plays a critical role in overseeing the fiscal plan and works closely with the federal government, provincial ministries and other public sector partners to ensure that government's annual and three-year revenue, and operating and capital expenditure targets are met.

Strategies

- Continuously monitor revenues, spending and debt set out in the fiscal plan[3] and take corrective action as required to meet targets.
    - Undertake regular outreach activities with the private sector to ensure economic transparency and facilitate the ability to respond effectively, should action be required.
    - Continue to consult with the Economic Forecast Council, a group of independent Canadian economic forecasters, who provide advice to the Minister of Finance in developing the budget and fiscal plan.
- Facilitate the sales of surplus properties and assets as set out in *Balanced Budget 2013*.
- Develop a framework for the creation of a Prosperity Fund into which a portion of new provincial revenue from Liquefied Natural Gas development will flow.
- Ensure effective cash management to minimize borrowing requirements and debt service costs.
- Manage government's 10-year capital plan ensuring strategic investments in infrastructure, including hospitals, roads and schools, across the province reflect the priorities of government as outlined in *Strong Economy, Secure Tomorrow*.

Performance Measure 1: Provincial Credit Rating

Performance Measure	2008/09 Benchmark	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Provincial credit rating	triple-A	triple-A	triple-A	**triple-A ACHIEVED**	triple-A	triple-A

Data Source: Moody's Investors Service and/or Standard and Poor's (Credit Rating Agencies).

[3] For more information refer to: http://www.bcbudget.gov.bc.ca/2014/bfp/2014_Budget_Fiscal_Plan.pdf.

Discussion of Results

This measure is the provincial credit rating determined by Moody's Investors Service or Standard and Poor's, both recognized as independent rating agencies. This credit rating influences the interest rate that the Province is charged when it borrows in domestic and international capital markets. Credit ratings are provided in descending order from A to C – highest to lowest. Triple-A is the highest possible rating, provided to those public and private sector organizations that are assessed as borrowers with excellent financial security and pose low risk for investor loss. Organizations with a triple-A credit rating are generally offered the lowest interest rates when borrowing.

In determining the Province's credit rating, rating agencies evaluate debt as a percentage of Gross Domestic Product (GDP) and of revenues, and interest owing as a percentage of gross receipts. Agencies also consider the government's track record in meeting its fiscal targets, its transparency in budgeting and reporting, the economic outlook, and business and consumer confidence in the economy.

With government's continued focus on prudent fiscal management, it maintained its triple-A credit rating; this rating was most recently reaffirmed by Moody's in March 2015. British Columbia has maintained a triple-A rating for the last nine years.

In October 2006, Moody's Investors Service upgraded the Province's credit rating to triple-A, the highest rating available. In December 2012, Moody's Investors Service changed the Province's outlook from triple-A stable to triple-A negative, citing concerns with debt accumulation and a then slowing economy. Government responded by introducing measures to boost the economy, balance its budget and reduce its debt to GDP ratio. As a result, in March 2015 Moody's reaffirmed British Columbia's triple-A credit rating and upgraded the Province's outlook to stable. The agency cited several credit strengths to support the rating and upgraded outlook, including: a reliable plan of consistent balanced budgets with little risk that the debt burden will exceed current forecasts; high debt affordability; strong fiscal management; and fiscal flexibility. British Columbia is one of only three provinces in Canada currently rated triple-A by Moody's Investors Service and by Standard and Poor's.

Performance Measure 2: Budget Deficit/Surplus

Performance Measure	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Budget deficit/surplus	$353M surplus	$184M	**$1,683M surplus ACHIEVED**	As set out in government's fiscal plan	As set out in government's fiscal plan

Data Source: British Columbia *Budget and Fiscal Plan*.

Discussion of Results

This measure reflects the Ministry's success in continuing to deliver on balanced budget projections. Specifically, in its five-year fiscal management plan outlined in *September Budget Update 2009*, government projected it would return to balanced budgets by 2013/14, which it achieved. In *Budget 2014*, government projected it would continue to uphold its balanced budget commitment in 2014/15, which it also achieved.

The 2014/15 *Public Accounts* show government posting a $1,683 million surplus, a significant improvement over the budget target. This outcome was achieved through a combination of higher than anticipated revenue, mainly from a number of taxation streams and commercial Crown corporation net income, as well as a continued focus on expenditure management, with total spending less than budget despite significant direct firefighting costs. Government has upheld its commitment to balanced budgets in *Budget 2015*, which was tabled in the Legislature in February 2015.

Objective 1.2: Accountable, efficient and transparent financial and program management across government

The Ministry supports accountability and transparency through the public release of financial and program information and a variety of governance frameworks that apply to ministries and the broader public sector. The successful implementation of effective governance frameworks supports increased value for use of public funds and contributes to public confidence in government. To facilitate the application of these frameworks, the Ministry supports government with tools and training to build necessary capacity.

Strategies

- Provide governance and oversight to:
  - Ensure all government entities (e.g. ministries, Crown agencies, etc.) are publicly accountable for their programs, services and fiscal management, including continuing Crown Reviews for Crown corporations and other designated organizations.
  - Ensure appropriate financial and program management, systems and guidance are in place for the broader public sector.
- Use risk-based approaches to effectively manage government's resources.
- Undertake strategic reviews of government business processes to identify opportunities to maximize efficiency.
- Meet statutory reporting requirements and comply with generally accepted accounting principles (GAAP).[4]

[4] The government of British Columbia adheres to generally accepted accounting principles for senior Canadian governments as identified by the Public Sector Accounting Board.

Performance Measures 3, 4 and 5: Annual Release Dates for Budget and Public Accounts, and Audit Opinion

Performance Measure	2008/09 Benchmark	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Release date of the Budget	3rd Tuesday of February	February 18, 2014	By legislated due date	**February 17, 2015 ACHIEVED**	By legislated due date	By legislated due date
Completion date of the Public Accounts*	By August 31st 1	June 23, 2014	On or before June 30, 2015	June 28, 2015 **ACHIEVED**	On or before June 30, 2016	On or before June 30, 2017
Audit Opinion	Qualified but positive audit opinion from the Office of the Auditor General	Qualified but positive audit opinion from the Office of the Auditor General	Public Accounts in compliance with GAAP	Qualified but positive audit opinion from the Office of the Auditor General **SUBSTAN-TIVELY ACHIEVED**	Public Accounts in compliance with GAAP	Public Accounts in compliance with GAAP

Data Source: Release of the *Public Accounts*

* The legislated due date for the release of the *Public Accounts* is August 31st for the previous fiscal year. year. Release of the Public Accounts requires the Auditor General's opinion which was received on July 9, 2015.

** This measure will be considered substantively achieved if the Office of the Auditor General provides a qualified but positive opinion of the Public Accounts.

Discussion of Results

The first two measures capture the timeliness of government's budgeting and financial reporting. Timely release of financial information is critical for effective use of the information and helps instill public confidence in government's ability to manage its resources. The *Budget Transparency and Accountability Act* requires the release of the Province's budget by the third Tuesday of February in the immediately preceding fiscal year and the Province's financial statements (*Public Accounts*) by August 31 following each fiscal year end. The Province continues to meet its targets for both of these measures.

The third measure is an indication of government's transparency in accounting for its finances. In preparing the *Public Accounts*, the Ministry strives to provide an accurate and fair representation of the government's financial position in accordance with generally accepted accounting principles (GAAP). To validate this position, government seeks an independent audit opinion that offers an objective assessment of its financial reporting. The independent audit opinion, provided by the Office of the Auditor General, confirmed that apart from one qualification for the current year, the *Public Accounts* are in compliance with GAAP.

Goal 2: A strong, competitive and vibrant economy

Objective 2.1: A fair and competitive tax and regulatory environment

A tax system that is perceived by British Columbians to be fair increases their confidence in government. Furthermore, the Province's ability to ensure a strong and vibrant economy depends on a tax and regulatory environment that is both nationally and internationally competitive. Jurisdictions with competitive tax regimes and regulatory frameworks are successful in attracting and retaining personal and business investment. This success in turn enhances economic development and generates stable revenues to support critical government services such as health care and education.

Strategies

- Continue to improve the fairness, competitiveness and sustainability of the provincial tax system.
    - Continue to consider and implement the recommendations of the Tax Competitiveness Panel.
    - Work with the Ministers of Finance of Ontario and Quebec to secure an agreement on a consistent and competitive film industry tax credit regime.
- Ensure financial and corporate regulatory frameworks are efficient and effective, and protect the public interest.
- Commit to net zero regulatory gain through 2015.
- Support the Ministry of Jobs, Tourism and Skills Training in implementing a *Regulatory Reporting Act* to mandate annual reporting on regulatory reform.
- Advance B.C.'s interests with the federal and other provincial governments on federal-provincial fiscal relations.
    - Continue to pursue a Cooperative Capital Markets Regulator for Canada that protects British Columbia's interests and ensures the B.C. securities industry is not negatively impacted.
- Work with the Ministry of Education to ensure maximum participation for the $1,200 B.C. Education and Training Savings Grant.

Performance Measures 6, 7 and 8: Provincial Income Tax Ranking

Performance Measure	2008/09 Benchmark	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Provincial ranking of corporate income tax rates	Remain in the lowest four*	Second Lowest ACHIEVED	Remain in the lowest four	**Second Lowest ACHIEVED**	Remain in the lowest four	Remain in the lowest four
Provincial ranking of personal income tax rates for the bottom tax bracket	Remain in the lowest two**	Second Lowest ACHIEVED	Remain in the lowest two	**Second Lowest ACHIEVED**	Remain in the lowest two	Remain in the lowest two
Provincial ranking of personal income tax rates for the second-from-bottom tax bracket	Remain in the lowest two**	Lowest ACHIEVED	Remain in the lowest two	**Lowest ACHIEVED**	Remain in the lowest two	Remain in the lowest two

Data Source: Published legislation and budgets from all 10 provinces.
* This measure was benchmarked in fiscal 2008/09.
** These measures were benchmarked in fiscal 2010/11.

Discussion of Results

The provincial ranking of corporate income tax rates compares the general corporate income tax rate in British Columbia, as of March 31 each year, to those of other provinces in Canada. The targets reflect government's commitment to maintaining a competitive tax environment that fosters economic growth by encouraging business investment and promoting a business-friendly environment. As of March 31, 2015, British Columbia had the second lowest corporate income tax rate in Canada.

The two measures of the provincial ranking of personal income tax rates provide a comparison of British Columbia's personal income tax rates for the bottom two tax brackets, as of March 31 each year, with those of the other nine provinces. These targets demonstrate government's commitment to maintaining low tax rates for individuals and families living and working in British Columbia.

In 2014/15, British Columbia met or exceeded the performance targets, providing competitive income tax rates for businesses, individuals and families.

Objective 2.2: Responsive, effective and fair revenue, tax and benefit administration that funds provincial programs and services

The Ministry manages revenue in relation to statutes it directly administers, as well as statutes administered by other ministries.[5] These revenues support the provision of important government programs and services such as health care, education, social services and transportation infrastructure for British Columbians.

The Ministry is committed to identifying and collecting amounts owed to government in a manner that is fair and respectful to citizens and taxpayers.

[5] See Appendix B: Hyperlinks to Additional Information.

Strategies

- Continue to administer the transition from HST to a PST and GST tax system.
- Simplify and streamline tax and other revenue legislation administration.
- Focus compliance activities on areas with the highest risk of non-compliance.
- Explore further opportunities for applying technological solutions to improve compliance and enforcement activities.
- Improve collaboration across jurisdictions to help ensure tax revenue owed to the Province is identified and received in a timely manner.
- Improve practices used to collect outstanding amounts owed to government.
- Continue to consolidate government revenue management.

Performance Measure 9: Per Cent of Amounts Owed to Government Paid or Collected

Performance Measure	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Per cent of amounts owed to government paid or collected*	95.70%**	94.45%	95.47% ACHIEVED	95.70%	Maintain

Data Source: Ministry of Finance business information systems.

*This measure includes all amounts owed to government and administered by the Ministry of Finance. Amounts owed to government include revenue identified during the fiscal year and overdue accounts from the current and previous fiscal years. These amounts may be billed by the Ministry, self-assessed by individuals and businesses, or identified by the Ministry through audit and compliance activities.

**From July 1, 2010 to March 31, 2013, this measure did not include PST as the province had moved to an HST tax model, which was administered by the Canada Revenue Agency. With the reinstatement of the PST on April 1, 2013, this measure again includes the PST. Performance was baselined in 2013/14, after the provincial PST audit program had been underway for a full fiscal year.

Discussion of Results

This measure reports on the success of the Ministry in collecting all amounts under its administration owed to government in a specific fiscal year. This measure includes amounts owed to government where the Ministry is responsible for both revenue and debt collection functions. It excludes revenue and debt collections for personal and corporate income taxes collected by the Canada Revenue Agency on behalf of the Province.

In 2014/15, the Ministry collected $15.93 billion in revenue and overdue accounts - 95.47 per cent of the amount owed - achieving the target. These results reflects the Ministry's success in billing, collection and audit and compliance activities in addition to the ongoing efforts to provide information, tools and quality customer service - making it easier for British Columbians to understand and fulfill their obligations.

Goal 3: Responsible regulation of gaming opportunities

Objective 3.1 British Columbians continue to have confidence in the management of gaming

Strategies

- Ensure that all gaming in the province, including gaming conducted over the Internet, is subject to a high level of rigour and scrutiny. This includes ensuring appropriate people and companies are involved in the gaming industry, conducting regular audits of all commercial gaming venues, and investigating allegations of wrongdoing to ensure the integrity of gaming and use of proceeds.
- As part of a broader enforcement strategy, work with the British Columbia Lottery Corporation and the gaming industry to move away from cash-based play in order to prevent money laundering activity at casinos.

Performance Measure 10: Enhanced access to funds in gaming facilities

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Enhance access to funds in gaming facilities	5 options available	Introduced two new options	Research and report on one new option	**Expanded work to explore more comprehen sive suite of options SUBSTAN-TIVELY ACHIEVED**	Measure revised*	TBD

Data Source: Gaming Policy and Enforcement Bbanch

*In the 2015/16 – 2017/18 Service Plan, this measure was revised to focus on gaming sector compliance with policies and standards. During 2015/16, the Ministry will analyze existing compliance data, determine areas of highest risk to gaming integrity, and develop a performance measure and future years' targets to support the ongoing monitoring of gaming sector compliance with established policies and standards.

Discussion of Results

This measure tracks the Ministry's progress in implementing options to enhance access to funds in gaming facilities. Providing options that result in the increased use of electronic methods to access funds in casinos enables an increased vigilance of large cash amounts carried into casinos, which supports the Ministry's strategy to prevent money laundering activity and move gaming away from a cash dependent industry. This will diminish opportunities for criminal attempts to legitimize illegal proceeds of crime in gaming facilities in the province.

Prior to 2013/14, casino patrons could access funds using five options: the Patron Gaming Fund; an automated teller machine; debit at the cash cage; a cheque hold process; and preapproved cheques. In 2013/14, the Ministry explored the introduction of three additional options based on a review of their viability and integrity. Two new options were implemented making it easier for casino patrons to access funds using internet and U.S. bank transfers. The third option, a foreign

funds transfer, was proposed; however, after the British Columbia Lottery Corporation (BCLC) reviewed and considered its data, the scope of the work was expanded to explore a suite of comprehensive options. BCLC plans to provide these options to the Ministry in early 2015/16.

Additionally, in 2015, the Ministry and BCLC will meet with stakeholders, including the police, the Financial Transaction and Reporting Analysis Centre of Canada (FINTRAC), government officials, gaming service providers, and private sector financial institutions to address the issue of cash in gaming facilities and the risks around large cash transactions, with the intent to prevent money laundering. The goal is to develop a collaborative and coordinated approach to address money laundering in casinos, which will include options for reducing cash in gaming facilities.

Since introducing the anti-money laundering initiative, the use of electronic methods to access funds has increased by more than 25 per cent, reflecting the success of the initiative.

Finance Resource Summary

Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) reports on the Ministry of Finance's financial position for the year ended March 31, 2015 and should be read in conjunction with the accompanying Finance Resource Summary. The Public Service Agency (PSA) Finance Resource Summary is reported separately below.

In a period of modest economic growth and continued fiscal prudence, the Ministry of Finance, net of the PSA, had a $7.1 million surplus based on net expenditures of $192.6 million compared to total appropriations of $199.7 million.

The Ministry was able to successfully fund additional costs related to the reinstatement of the Provincial Sales Tax (PST) and Liquefied Natural Gas (LNG) implementation in the Revenue, Policy & Legislation and Executive & Support Services divisions through internal savings in all divisions.

Resource Summary

Core Business Area	2014/15 Estimated	Other Authorizations[1]	Total Estimated	Actual	Variance
Operating Expenses ($000)					
Treasury Board Staff	6,709	0	6,709	4,712	(1,997)
Office of the Comptroller General	19,908	0	19,908	19,258	(650)
Treasury	1	0	1	0	(1)
Revenue Division					
Gross[2]	204,922	1,027	205,949	201,910	(4,039)
Recoveries[3]	(140,356)	0	(140,356)	(134,463)	5,893
Net	64,566	1,027	65,593	67,447	1,854
Policy and Legislation	4,975	0	4,975	5,711	736
Public Sector Employers' Council Secretariat	16,640	0	16,640	16,491	(149)
Internal Audit and Advisory Services	3,164	0	3,164	3,050	(114)
Executive and Support Services[4]	11,398	0	11,398	11,721	323
Gaming Policy and Enforcement	19,819	0	19,819	19,445	(374)
Insurance and Risk Management Account	4,191	0	4,191	2,320	(1,871)
Provincial Home Acquisition Wind Up Special Account	10	0	10	0	(10)
Teacher's Pension Plan[5]	0	47,299	47,299	47,299	0
Sub-total	**151,381**	**48,326**	**199,707**	**197,454**	**(2,253)**
Adjustment of Prior Year Accural[6]	0	0	0	(4,890)	(4,890)
Total	**151,381**	**48,326**	**199,707**	**192,564**	**(7,143)**

1. Other Authorizations include Supplementary Estimates, Statutory Appropriations and approved funding from the Contingencies Vote.
2. Additional funding from the Contingencies Vote was approved to support the implementation of the Provincial Sales Tax.
3. The Ministry's costs are partially recovered from revenue administered by the Ministry under statutes listed in Appendix B.
4. Actual expenditures include a number of unanticipated corporate charges that were centrally managed within Executive and Support Services.
5. This expenditure represents the employer's portion (50%) of the unfunded benefit obligation for the Teacher's Pension Plan. Statutory authority for this expenditure was delegated to the Minister of Finance during 2013/14.
6. The Adjustment of Prior Year's Accrual of $4.890 million is a reversal of estimated expenditures recorded in the previous year.

Core Business Area	2014/15 Estimated	Other Authorizations	Total Estimated	Actual	Variance
Ministry Capital Expenditures (Consolidated Revenue Fund) ($000)					
Executive and Support Services[1]	711	0	711	80	(631)
Total	**711**	**0**	**711**	**80**	**(631)**
Capital Plan ($000)					
Other Capital Projects	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0)**

1. The variance was due to administrative efficiencies

Core Business Area	2014/15 Estimated	Other Authorizations	Total Estimated	Actual	Variance
Other Financial Transactions ($000)					
Reconstruction Loan Portfolio[1]					
Receipts	12,500	0	12,500	10,569	(1,931)
Disbursements	400	0	400	0	(400)
Net Cash (Requirements)	12,100	0	12,100	10,569	(1,531)
BC Student Aid Program[2]					
Receipts	100,000	0	100,000	135,074	35,074
Disbursements	230,000	0	230,000	211,303	(18,697)
Net Cash (Requirements)	(130,000)	0	(130,000)	(76,229)	53,771
International Fuel Tax Agreement Motor Fuel Tax Act[3]					
Receipts	13,579	0	13,579	12,338	(1,241)
Disbursements	2,456	0	2,456	2,637	181
Net Cash (Requirements)	11,123	0	11,123	9,701	(1,422)
Land Tax Deferment Act[4]					
Receipts	58,000	0	58,000	55,529	(2,471)
Disbursements	120,000	0	120,000	122,334	2,334
Net Cash (Requirements)	(62,000)	0	(62,000)	(66,805)	(4,805)
Provincial Home Acquisition Wind Up Special Account					
Receipts	18	0	18	4	(14)

1. The variance was due to lower than anticipated repayments, commensurate with the gradual wind-up of this program.
2. The variance was due to higher than anticipated loan repayments by students.
3. The variance was due to diesel price fluctuations and business and economic changes in Canada and the U.S.
4. The variance was due to higher than anticipated demand for the program.

Appendices

Appendix A: Ministry Contact Information

Ministry Central Office
PO Box 9417 Stn Prov Govt
Victoria BC V8W 9V1
Phone: 250 387-3184

Minister's Office
Honourable Michael de Jong
PO Box 9048 Stn Prov Govt
Victoria BC V8W 9E2
Phone: 250 387-3751

Media Queries
Phone: 250 356-9872

Problem Gambling Help Line
For help in recognizing the warning signs of problem gambling and to get information on free programs, services and resources available to assist problem gamblers and their families:

Call 1 888 795-6111 or visit www.bcresponsiblegambling.ca
(confidential, free service available 24 hours/7 days, in multiple languages)

Tax Questions
For questions about British Columbia's Provincial Sales Tax, Motor Fuel Tax, Tobacco Tax, Carbon Tax, Tax on Designated Property and Residential Energy Credit and Rebate program:

Toll-free anywhere in B.C. 1 877 388-4440 or email: CTBTaxQuestions@gov.bc.ca

Appendix B: Hyperlinks to Additional Information

Reports and Publications:

- *Budget and Fiscal Plan, Estimates, Public Accounts, Quarterly Reports,* and *Financial and Economic Review:* www.fin.gov.bc.ca/pubs.htm
- For more information and other Ministry Service Plans and Annual Service Plan Reports, please visit: http://www.bcbudget.gov.bc.ca
- For other reports and publications of the British Columbia Ministry of Finance, please visit: www.fin.gov.bc.ca/pubs.htm

Listing of Ministry Legislation: www.leg.bc.ca/PROCS/allacts/fin.htm

Gaming Policy and Enforcement: www.gaming.gov.bc.ca

The Minister of Finance is also the Minister responsible for the following Crown corporations, Boards, Commissions and Advisory Committees:

Crown Corporations:

- B.C. Securities Commission: www.bcsc.bc.ca
- British Columbia Lottery Corporation: www.bclc.com
- Partnerships B.C.: www.partnershipsbc.ca

Boards and Commissions:

- Financial Institutions Commission: www.fic.gov.bc.ca
- Financial Services Tribunal: www.fst.gov.bc.ca
- Insurance Council of British Columbia: www.insurancecouncilofbc.com/PublicWeb/Home.html
- Public Sector Employers' Council: www.fin.gov.bc.ca/psec
- Real Estate Council of British Columbia: www.recbc.ca

Advisory Committees:

- Accounting Policy Advisory Committee: www.brdo.gov.bc.ca/boardView.asp?boardNum=191095

Appendix C: Minister's Mandate Letter and Action Summary

In the Premier's annual Mandate Letter to the Minister in June 2013, the Minister of Finance received direction on strategic priorities. These priorities and the Ministry's resulting actions to March 31, 2015 are summarized below.

Mandate Letter Direction	Ministry's Actions
1. Reintroduce *Balanced Budget 2013* with the following updates: • Platform commitments that impact the spending track of government. • Restated expenditures based on post-election ministry re-alignment. • Updated economic growth projections from the Economic Forecast Council.	• The *June Update 2013* was tabled reflecting surpluses over the fiscal plan period. In order to meet government's commitment to balance the budget, ministries were directed to manage within budget allocations and out-year targets. • Successfully tabled the *June Budget Update 2013* in the Legislature on June 27, 2013. The updated budget reorganized the appropriations in *Balanced Budget 2013* to reflect government's post-election Cabinet Structure, and included revised revenue projections. • In preparation for the *June Update 2013*, the Minister of Finance received updated economic growth projections from the Economic Forecast Council on May 23, 2013.
2. Ensure *Balanced Budget 2013* comes in balanced as per *Public Accounts* released in summer, 2014.	The *Public Accounts 2013/14* confirm a budget surplus of $353 million. The *Public Accounts 2014/15* confirm a budget surplus of $1,683 million.
3. Balance your ministerial budget in order to control spending and ensure an overall balanced budget for the province of British Columbia.	The Ministry met its fiscal budget targets and showed a surplus for fiscal years 2013/14 and 2014/15.
4. Execute the government asset sale program as outlined in *Balanced Budget 2013*.	The program generated a total of $559 million over the two years: $433 million in 2013/14 and $126 million in 2014/15 in net revenues. The sale of surplus properties and assets not only provides revenue for the Province, but also generates economic activity and supports key priorities in the health and education sectors resulting from new development and business opportunities in communities across British Columbia. As in any real estate transaction, the closing date for a sale must be negotiated and ultimately meet the needs of both parties. After taking into account the fiscal situation and to ensure best value for the taxpayer, the province made a strategic decision to adjust the revenue targets and negotiated closing dates in 2015/16 for select transactions. Approximately $75 million in gains for surplus property sales that was originally scheduled for 2014/15 was re-profiled to 2015/16.
5. Protect British Columbia's triple-A credit rating.	The B.C. provincial credit rating remains triple-A and, in March 2015, Moody's Investors Service upgraded the Province's outlook from triple-A negative to triple-A stable based on B.C.'s high debt affordability, strong financial management and fiscal flexibility. British Columbia has maintained a triple-A rating for the last nine years.

Mandate Letter Direction	Ministry's Actions
6. Working with the Minister Responsible for Core Review identify members of your ministry to form a team for him in his efforts to identify resources that can be released for other government priorities.	The Ministry established a Core Review team to ensure ministry programs and activities were focused on achieving government's priorities of a strong economy and secure tomorrow, and that ministry programs and services were provided as efficiently and effectively as possible.
7. Introduce and pass legislation that will create the Prosperity Fund and determine its expenditures once revenues begin flowing to government.	The Ministry is continuing to work towards the creation of a Prosperity Fund. Legislation is being targeted for the 2017 Spring legislative session.
8. Ensure that Crown Agency reviews continue and are regularly undertaken by the Internal Audit team for Crown corporations and other designated organizations.	The Ministry completed two crown reviews in 2014/15 – *Review of British Columbia Lottery Corporation* and *Review of Partnerships B.C.* Both reports were released in December 2014[6]. Additionally, the Ministry completed a review of BCLC CEO resignation with the final report to the Minister released July 10, 2014.
9. Undertake a review of our 10 year capital plan to ensure the priorities of government as outlined in *Strong Economy, Secure Tomorrow* are identified and planned within the plan.	The majority of the capital priorities identified in *Strong Economy, Secure Tomorrow* have funding allocations within the 10-year capital plan. The remaining priorities[7] will be accommodated within Government's capital/fiscal plans once the scope, schedule and funding arrangements for these priorities have been confirmed.
10. Work with the Ministers of Finance of Ontario and Quebec to secure an agreement on a competitive film industry tax credit regime.	Exploratory talks commenced in 2013 and have been deferred until the Ontario and Quebec governments have confirmed their intergovernmental priorities.
11. Continue to pursue a common securities regulator for Canada that protects British Columbia's interests and ensures the B.C. securities industry is not negatively impacted.	A Memorandum of Agreement (MOA) reaffirming jurisdictions' commitment to develop a Cooperative Capital Markets Regulator (CCMR) system was signed by the Ministers responsible for securities regulation of British Columbia, Ontario, Saskatchewan, New Brunswick and Canada on October 9, 2014. They soon thereafter were joined by Prince Edward Island. Also, on October 9, 2014 draft provincial capital markets legislation and complementary federal capital markets stability legislation were published for comment for 90 days. The draft legislation received over 60 comments from interested market participants and governments are now working collaboratively refining the legislation based on the comments. Yukon joined in April 2015, and discussions have been ongoing with other jurisdictions interested in participating in the CCMR system.

[6] Review of British Columbia Lottery Corporation is available at: http://www.fin.gov.bc.ca/ocg/ias/pdf_docs/Review%20of%20BCLC.pdf and the Review of Partnerships B.C. at: http://www.fin.gov.bc.ca/ocg/ias/pdf_docs/Review%20of%20PBC.pdf.

[7] Remaining priorities include the acceleration of the replacement of the Massey Tunnel and the Fraser River Dredging and Dyking program.

Mandate Letter Direction	Ministry's Actions
12. Undertake regular outreach activities with the private sector to ensure transparency with industry on the state of the provincial economy and the ability to move with greater speed should provincial government action be required.	The Minister of Finance conducted investor tours in North America and China in 2013/14 to promote the diversity and strength of British Columbia's economy and sound fiscal stewardship. During 2014/15, the Ministry supported five significant investor tours for the Minister of Finance and senior Ministry executives: • *Tour 1*: Toronto, Winnipeg, New York, Boston • *Tour 2*: Frankfurt, Munich, Zurich, Amsterdam, Paris, London • *Tour 3*: New York, Philadelphia, Delaware, Baltimore and Washington • *Tour 4*: Kuala Lumpur, Hong Kong • *Tour 5*: London
13. Continue to consider and implement the recommendations of the Tax Competitiveness Panel.	Keeping business taxes low is an essential part of maintaining a competitive tax environment that will attract investment, create jobs and move B.C.'s economy forward. Continuing to look for opportunities to implement business tax reductions or credits.
14. Work with the Minister of Education to ensure maximum participation for the $1,200 B.C. Education and Training Savings Grant.	The Ministry of Finance assisted the Ministry of Education with developing solutions to ensure maximum participation in the grant program. Advice was given on maximizing the participation of children in care, the set-up of the grant program with the federal government, and connecting Ministry of Education staff with key contacts in the financial community to ensure the grant program was promoted to their clients.

Appendix D: Minister's Mandate Letter (June 2014)

June 10, 2014

Honourable Michael de Jong
Minister of Finance Parliament Buildings
Victoria, British Columbia V8V 1X4

Dear Mike:

On behalf of the province of British Columbia, I would like to thank you for the contributions made by you and your ministry over the past year to provide a strong economy and secure tomorrow for our citizens.

The past year has seen significant achievements by our government: the successful delivery of the first balanced budget since the global economic downturn of 2008 which was followed by the introduction of a second balanced budget in February; continued progress to secure a new LNG industry in British Columbia; the development and release of BC's Skills for Jobs Blueprint; and successfully concluded long-term and affordable labour agreements with our valued public servants.

While these accomplishments are significant, we all acknowledge there is more to do to ensure all citizens are able to enjoy the promise of our province.

The Speech from the Throne delivered in February charted the course for our government for the year ahead. As you know, the speech was consistent with the policies contained in our election platform and outlines the steps we are taking to ensure development opportunities are seized in the province where they make economic and environmental sense.

The only way to secure long-lasting prosperity is to ensure that private sector investments are welcomed and encouraged in our province. That is the path we have chosen and that is the path upon which we will continue for the remainder of our term.

Last June, you were assigned a number of initiatives that were to be accomplished over the course of our term in office.

First and foremost was the need to control spending to the levels committed in Balanced Budget 2013. I am pleased that according to the third quarterly report issued with the budget, you are on track to successfully achieving this goal.

I would like to congratulate you and your team for the following achievements that have been made over the past year, recognizing that this list is only a selection and not a full accounting of the ministry's work:

- Successfully executed the fiscal plan as outlined in Balanced Budget 2013.
- Introduced our government's second consecutive balanced budget in February.
- Protected our coveted AAA bond rating through sound fiscal management.
- Successfully concluded the province's first Renminbi bond issue in China.
- Developed our new collective bargaining mandate for public sector negotiations that provides long-term, fair and affordable wage increases for public sector workers with an opportunity for improvement should economic growth exceed provincial estimates.

- Worked with Canada and the other provincial finance ministers to successfully negotiate a common securities regulator.
- Introduced a framework for an LNG tax in Balanced Budget 2014.

The mandate letter provided to you last June was designed to be an ongoing workplan for your ministry that would be updated on an annual basis.

Your mandate for the following year is as follows:

1. Ensure Balanced Budget 2013 reports as balanced as per Public Accounts released in summer, 2014.
2. Balance your ministerial budget in order to control spending and ensure an overall balanced budget for the province of British Columbia.
3. Implement and pass the tax legislation required to support the creation of a Liquefied Natural Gas industry in British Columbia.
4. Execute the government asset sale program as outlined in Balanced Budget 2013.
5. Successfully conclude public sector collective agreements in line with our Economic Stability wage mandate.
6. Protect British Columbia's AAA credit rating.
7. Identify and propose options for legislation to Cabinet to create the Prosperity Fund.
8. Ensure that Crown Agency reviews continue and are regularly undertaken by the Internal Audit team for crown corporations and other designated organizations.
9. Continue to explore opportunities to issue British Columbia bonds in the Renminbi and other world bond markets.
10. Aggressively promote Vancouver as a global Renminbi trading centre by pursuing schedule 3 banking status for Asian lending institutions wishing to locate their offices in British Columbia.
11. Review and implement all tax changes including small business tax reductions and tax credits for teachers and parents that were promised in Strong Economy Secure Tomorrow.
12. Undertake an investors' tour to showcase British Columbia as a good place to invest as a result of our fiscal discipline and competitive tax environment.
13. Review the impacts of the carbon tax on British Columbian manufacturers and provide options to Cabinet on how to ameliorate the impacts on local manufacturers.

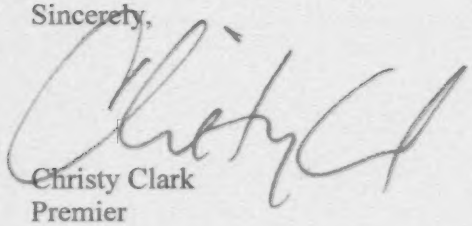
In addition, as discussed and approved by Cabinet, our government is committed to ensuring a common platform of compensation and accountability principles is implemented across our broader public sector. Taxpayers expect that the agencies they fund and support through their tax dollars adhere to the same standards of fiscal responsibility and transparency as the government they elect.

Please find attached a document containing these new common public sector principles and accompanying instructions for implementing these principles across the public sector organizations and agencies that fall under your ministerial responsibility.

These principles will require you and your deputy to spend additional time meeting with the chairs and boards of these organizations to ensure complete understanding of the expectations that government and taxpayers have of them in their roles as our representatives and their need to protect the public interest at all times.

While much has been accomplished in the first 12 months of our mandate, much work remains to ensure the promises of both a strong economy and secure tomorrow are met for British Columbians. I look forward to working with you in the next year of our mandate.

Sincerely,



Christy Clark
Premier

B.C. Public Service Agency

Purpose of the Agency

The B.C. Public Service Agency provides human resource leadership, expertise, services and programs that contribute to better business performance of ministries and government as a whole.

Strategic Direction

The B.C. Public Service is the largest corporate workforce in the province, serving all communities across British Columbia. From frontline workers to accountants and architects, researchers and analysts, information technology professionals and others, there is virtually no area of expertise unrepresented. Public servants provide a wide range of services to British Columbians such as health care, public safety, education, and environmental management, to name a few.

The B.C. Public Service Agency supports the work that these public servants do by providing human resource services such as hiring, payroll, labour relations and learning. In doing so, it helps ensure that the B.C. Public Service continues to have the right people to do that work.

This service plan report includes the priorities and initiatives that were outlined in the June 2013 Minister of Finance's mandate letter. Additionally, the ministry is supportive of and compliant with the *Taxpayer Accountability Principles*.

Strategic Context

The economy and shifting demographics

While the economy is showing signs of recovery, Canada remains in a period of fiscal restraint where public sector spending continues to decline as federal and provincial governments work to balance budgets and bring deficits under control. The reduction in public sector spending makes finding ways to deliver services in a more effective manner a high priority. In response, the B.C. Public Service has adopted Lean Six Sigma, a proven process improvement philosophy and methodology, to guide us in changing our business processes to eliminate steps that don't benefit our customers.

Changing demographics, such as an aging and increasingly diverse population, continue to influence employers in many ways. An aging workforce is contributing to rising benefits costs through factors such as higher benefit utilization, increased absenteeism and escalating health premiums. As benefits costs make up an increasing percentage of the total cost of employment, the B.C. Public Service is working to contain these costs through a proactive and preventative approach to supporting a healthy and productive workforce.

While recent global economic influences have delayed the retirement of many baby boomers, a recovering economy is encouraging this cohort to exit the workforce in growing numbers. This exodus, when combined with fewer entrants to the workforce, will bring about both labour and skill shortages. Statistics Canada predicts that by 2030, all net population growth in Canada will be due to immigration, indicating the Canadian public sector can expect increased diversity in both their workforce, as well as the citizens they serve.

Human resource planning priorities

The corporate human resource strategy,[8] *Being the Best 2014*, lays out a plan for building a better B.C. Public Service and transforming our organizational culture to create an employment experience that is not only engaging, but enables us to offer the citizens of British Columbia our very best. The three enduring goals within this plan to *Build our Internal Capacity; Improve our Competitiveness;* and *Manage for Results*, are supported by progress towards three cultural shifts where:

- We are a workforce of trusted professionals that embraces open communication, a collaborative work environment, and flexibility and choice in work styles and tools.
- We support diversity, professional development, and career aspirations of our employees. An update to our corporate diversity strategy, *Reflecting Our Communities*[9], expands upon what the B.C. Public Service has accomplished to date and the plan for ensuring all our policies and procedures reflect the diverse communities we serve.
- We recognize that employees' health and work-life balance have an important influence on their professional success and productivity.
- Additionally, following the completion of the McNeil report, the B.C. Public Service Agency developed an implementation strategy to address the findings. Recommendations from the report have been largely completed or in the process of completion.

Report on Performance

Goals, Objectives, Strategies and Performance Results

Goal 1: Provide high quality and innovative workforce solutions that enable the B.C. Public Service to deliver services expected and needed by British Columbians.

Objective 1.1: Modernized, responsive and flexible management of human resources.

Objective 1.2: Informed and strategically aligned resources supporting the delivery of human resource services.

Objective 1.3: Focused and purposeful investment in human resources.

Objective 1.4: The goals of the Corporate Human Resource Plan for the B.C. Public Service, Being the Best, are realized.

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[8] For more information, refer to: http://www2.gov.bc.ca/local/myhr/documents/corporate/being_best.pdf
[9] For more information, refer to:
http://www2.gov.bc.ca/local/myhr/documents/jobs_hiring/Diversity_Update_Inclusiveness_FINAL-Sep2014.pdf

Strategies

- Continue refining the delivery of human resource services to align with leading practices, reduce HR transactional costs, improve service quality, and redirect funding to specialized services.
- Lead the implementation of Lean Six Sigma, a process improvement methodology, across the B.C. Public Service through the Lean BC office.
- Continue supporting implementation of the corporate diversity strategy, *Reflecting our Communities*, through further integration of diversity into B.C. Public Service human resource practices, to ensure the B.C. Public Service better reflects and is more responsive to the needs of citizens and communities.
- Invest in technologies to automate the capture and transfer of critical employee data to improve the efficiency and integrity of data management.
- Support the open government initiative by exploring opportunities to improve access to reliable and consistent human resource information, to meet the needs of the B.C. Public Service, and to respond to the needs of citizens.
- Continue implementing a Health and Productivity Strategy that takes a proactive and preventative approach to supporting a healthy and productive workforce and avoiding public service benefit cost increases due to illness and disability.
- Continue developing *Being the Best*, the corporate human resource plan for the B.C. Public Service, based on feedback and results.

Performance Measure 1: Absences related to illness and injury days per Full Time Equivalent (FTE[10])

Performance Measure	2012/13 Baseline	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Absences related to illness and injury days per FTE*	9 days	8.9 days	9.1 days	**8.7 days ACHIEVED**	9.1 days	9.0 days

Data Source: B.C. Public Service Agency.

* For the purpose of this performance measure, absences refer to short term illness and non-occupational injuries.

Discussion of Results

The B.C. Public Service recognizes that where employees are supported to optimize their health, better customer service to the public is provided. However, a workforce with changing demographics and the rising prevalence of chronic disease in the population in general are challenges faced not only by the B.C. Public Service, but by all employers in British Columbia.

This measure identifies the number of days lost due to illness and injury. The number of days lost over the last several years has slowly been decreasing despite an aging workforce.

[10] One FTE is defined as an employee who works 1827 hours a year. This could be one full-time employee, or more than one part-time employee who collectively work 1827 hours. One employee who works overtime would proportionately increase the FTE calculation.

The B.C. Public Service continues to compare favourably against the Canadian provincial public sector average of 9.9 days and the federal public sector at 12 days[11]. The difference reflects our ongoing focus on health promotion and prevention services, at-work supports for employees with illnesses or injuries, and timely rehabilitation and return to work for employees who are off work due to an illness or injury.

The B.C. Public Service remains committed to an emphasis on early interventions and services which are expected to have long-term positive impacts on employee health outcomes. Over time, this will result in continued lower leave absences due to illness and injury despite changes in workforce demographics.

Performance Measures 2 and 3: Workforce utilization

Performance Measure	2012/13 Baseline	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Reduction in FTE utilization	27,326	26,526 ACHIEVED	26,300	**26,678 EFFECTIVELY ACHIEVED**	26,500*	26,500*
Auxiliaries as a percentage of the workforce	7.6%	6.2% NOT ACHIEVED	5.0%	**7.2% NOT ACHIEVED**	5%	5%

Data Source: B.C. Public Service Agency.

*These targets were revised in the *Ministry of Finance 2015/16 – 2017/18 Service Plan*..

Discussion of Results

In 2014/15, full-time equivalent (FTE) utilization increased by 152 due to the more extreme wildfire season requiring additional seasonal FTEs, as well as government's commitment to filling positions which are critical to front line service delivery.

Going forward, full-time equivalent (FTE) staff utilization is projected to decrease to 26,500 in 2015/16, and then remain flat.

The hiring of auxiliaries is intended to fill short-term business needs, either for an interim, cyclical or seasonal basis. Monitoring the proportion of auxiliaries in the workforce helps to ensure hiring levels support B.C. Public Service FTE utilization targets.

There are a large number of seasonal auxiliaries required for fighting wildfires that fall outside of the requirement for organizations to maintain an auxiliary level of 5% or less. Without these seasonal wildfire auxiliaries, the proportion of auxiliaries in the workforce would have been 3.8% for fiscal 2014/15.

[11]Source of comparative information is Statistics Canada, CANSIM Table 279-0030, Absence rates of full-time employees, by sex and North American Industry Classification System (http://www5.statcan.gc.ca/cansim/a01?lang=eng)

Report on Resources: Summary Table

B.C. PUBLIC SERVICE AGENCY

	Estimated	Other Authorizations	Total Estimated	Actual	Variance
Operating Expenses ($000)					
Operations	50,807	0	50,807	49,852	(955)
Sub-Total[1]	**50,807**	**0**	**50,807**	**49,852**	**(955)**
Adjustment of Prior Year[2]	0	0	0	(18)	(18)
Total	**50,807**	**0**	**50,807**	**49,834**	**(973)**
Ministry Capital Expenditures (Consolidated Revenue Fund) ($000)					
	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**

1. $0.60 million of the $0.95 million operations variance is due to government budget management restrictions.
2. The Adjustment of Prior Year Accrual of $.018 million is a reversal of accruals in the previous year.

BENEFITS

	Estimated	Other Authorizations	Total Estimated	Actual	Variance
Operating Expenses ($000)					
Benefits	1	0	1	0	(1)
Sub-Total	**1**	**0**	**1**	**0**	**(1)**
Adjustment of Prior Year[1]	0	0	0	(54,637)	(54,637)
Total	**0**	**0**	**0**	**(54,637)**	**(54,638)**

1. The Adjustment of Prior Year Accrual of $54.637 million is comprised of an adjustment to the value of the Long Term Disability Plan asset of $54.624 million and reversal of accruals of $.013 million in the previous year.

Appendices

Appendix A: B.C. Public Service Agency Contact Information

B.C. Public Service Agency
810 Blanshard Street
V8W 2H2
PO BOX 9404 Stn Prov Gov't
V8W 9V1
Victoria BC
Phone: 250 952-6296

For more information on the B.C. Public Service Agency, please visit our website at:
http://www.bcpublicserviceagency.gov.bc.ca/

The Public Sector Employers' Council Secretariat and Employers' Associations

Public Sector Employers' Council Secretariat[12]

- The Public Sector Employers' Council Secretariat supported government in the settlement of collective agreements, which included the successful negotiation of a six-year agreement with the BC Teachers' Federation. As of April 2015, there are over 230,000 public sector employees covered by ratified and tentative agreements negotiated under the 2014 Economic Stability Mandate which represents nearly three-quarters of all unionized employees in British Columbia. The Secretariat also coordinated the settlement of all outstanding collective agreements under the 2012 Cooperative Gains Mandate. The Secretariat was tasked with implementing a number of activities for the broader public sector based on the *Taxpayer Accountability Principles*, and in particular *'Integrity'* and *'Appropriate Compensation'*: developed Standards of Conduct guidelines and worked with employers in the Crown corporations, health authorities, and the post-secondary sectors to revise and post approved Standards of Conduct/Code of Ethics on each of their websites; Accountability and Disclosure Information Sessions were hosted to provide clarity on accountability policies and processes. The Secretariat also consulted with employers and employers' associations on aligning employers' compensation philosophies with a common compensation philosophy consistent with the recommendations from the *Public Sector Compensation Review* released in 2014.
- The Secretariat continued to work with plan partners and trustees in the four public sector pension plans with a focus on improvements to the plans within existing funding levels. Under the Municipal Pension Plan, a Plan Partners Working Group was established to consider options in the areas of indexing and transition, which resulted in an incremental agreement signed in September 2014 to enhance sustainable indexing and establish a Rate Stabilization Account.
- The Secretariat continues to work with other pension experts within British Columbia and in other jurisdictions to share experiences and improve internal capacity. Regular meetings with the Government Appointed Trustees continue and educational and communications opportunities continue to support this objective.
- Plans are now in place for the Secretariat to embark on a three-year project to redevelop data systems with a focus on an integrated user interface and more efficient data management to support collective bargaining and excluded and executive compensation reporting.
- British Columbia's statutory bargaining and compensation model continues to attract interest from other provinces; the Secretariat has been providing overviews and insight into its success and evolution.
- The Secretariat continues to focus on collaborating and utilizing the labour relations and human resource best practices from across British Columbia's public sector by working with employers' associations and employers from each of the seven distinct sectors including the

[12] The Secretariat is established under the *Public Sector Employers Act*: http://www.bclaws.ca/civix/document/id/complete/statreg/96384_01

public service, Crown corporations and agencies, K-12 education, post-secondary, health and community social services.

Employers' Associations

The mandates and purposes of these associations include coordinating compensation, benefit administration, bargaining and labour relations within their respective sectors, as outlined in sections 6 and 7 of the *Public Sector Employers Act*.[13]

Each of the employers' associations has a governance structure as follows:

- British Columbia Public School Employers' Association (BCPSEA) is currently administered by a government-appointed trustee.
- Crown Corporations Employers' Association (CCEA) has a board of up to 11 directors. Eight members are elected or appointed from among member employers; two appointed by the provincial government; and the Chair is elected from CEOs of member employers.
- Community Social Services Employers' Association (CSSEA) has a board of up to 11 directors. Up to seven of these directors are appointed by representatives of social service agencies; one is appointed by Community Living British Columbia; and up to three are appointed by the provincial government.
- Health Employers' Association of British Columbia (HEABC) has an 11-person board. Six of its members are appointed from the health authorities; two by the provincial government; and one each from proprietary care providers, affiliated care providers and denominational care providers.
- Post-Secondary Employers' Association (PSEA) has a 10-person board. Six of its members are elected annually from member employers; two are appointed by the provincial government; and two non-voting members are the Chair and Vice-chair of the PSEA's Standing Committee on Human Resource Practices.
- University Public Sector Employers' Association (UPSEA) is the research university sector level association and is governed by a Memorandum of Understanding signed by the Presidents. The membership of UPSEA is the six university[14] presidents or their designate and two senior provincial government representatives.

[13] For more information refer to: www.bclaws.ca/Recon/document/ID/freeside/00_96384_01#section6

[14] UPSEA university membership includes the University of British Columbia, University of Victoria, Simon Fraser University, University of Northern British Columbia, Royal Roads University and Thompson River University.

Funding to four of the employers' associations: BCPSEA[15], CSSEA[16], HEABC[17], and PSEA[18] is provided by the Public Sector Employers' Council Secretariat.

Employers' Associations Expenditures[19]

Employers' Associations Expenditures ($000)	
2014/15 Budget	**2014/15 Actual**
24,454	22,478
Data Source: Financial statements for each of the employers' associations (unaudited).	

[15] www.bcpsea.bc.ca
[16] www.cssea.bc.ca
[17] www.heabc.bc.ca
[18] www.psea.bc.ca
[19] Expenditures are total expenditure of employer associations included in the government reporting entity and are funded through transfers from government, membership dues, and other sources.